

106TH CONGRESS
2D SESSION

S. 3096

To amend the Internal Revenue Code of 1986 to increase and modify the exclusion relating to qualified small business stock.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 22, 2000

Ms. COLLINS (for herself, Mr. CLELAND, and Mr. ROTH) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to increase and modify the exclusion relating to qualified small business stock.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Encouraging Invest-
5 ment in Small Business Act”.

6 **SEC. 2. INCREASED EXCLUSION AND OTHER MODIFICA-**
7 **TIONS APPLICABLE TO QUALIFIED SMALL**
8 **BUSINESS STOCK.**

9 (a) INCREASED EXCLUSION.—

1 (1) IN GENERAL.—Section 1202(a) of the In-
 2 ternal Revenue Code of 1986 (relating to 50-percent
 3 exclusion for gain from certain small business stock)
 4 is amended—

5 (A) by striking “50 percent” and inserting
 6 “75 percent”, and

7 (B) by striking “50-PERCENT” in the
 8 heading and inserting “75-PERCENT”.

9 (2) CONFORMING AMENDMENTS.—

10 (A) The heading for section 1202 of such
 11 Code is amended by striking “**50-PERCENT**”
 12 and inserting “**75-PERCENT**”.

13 (B) The table of sections for part I of sub-
 14 chapter P of chapter 1 of such Code is amended
 15 by striking “50-percent” in the item relating to
 16 section 1202 and inserting “75-percent”.

17 (b) REDUCTION IN HOLDING PERIOD.—

18 (1) IN GENERAL.—Section 1202(a) of the In-
 19 ternal Revenue Code of 1986 is amended by striking
 20 “5 years” and inserting “3 years”.

21 (2) CONFORMING AMENDMENTS.—Subsections
 22 (g)(2)(A) and (j)(1)(A) of section 1202 of such Code
 23 are each amended by striking “5 years” and insert-
 24 ing “3 years”.

25 (c) REPEAL OF MINIMUM TAX PREFERENCE.—

1 (1) IN GENERAL.—Section 57(a) of the Internal
 2 Revenue Code of 1986 (relating to items of tax pref-
 3 erence) is amended by striking paragraph (7).

4 (2) TECHNICAL AMENDMENT.—Section
 5 53(d)(1)(B)(ii)(II) of such Code is amended by
 6 striking “, (5), and (7)” and inserting “and (5)”.

7 (d) OTHER MODIFICATIONS.—

8 (1) WORKING CAPITAL LIMITATION.—

9 (A) IN GENERAL.—Section 1202(e)(6) of
 10 the Internal Revenue Code of 1986 (relating to
 11 working capital) is amended—

12 (i) in subparagraph (B), by striking
 13 “2 years” and inserting “5 years”; and

14 (ii) by striking “2 years” in the last
 15 sentence and inserting “5 years”.

16 (B) LIMITATION ON ASSETS TREATED AS
 17 USED IN ACTIVE CONDUCT OF BUSINESS.—The
 18 second sentence of section 1202(e)(6) of such
 19 Code is amended by inserting “described in
 20 subparagraph (A)” after “of the corporation”.

21 (2) EXCEPTION FROM REDEMPTION RULES
 22 WHERE BUSINESS PURPOSE.—Section 1202(c)(3) of
 23 such Code (relating to certain purchases by corpora-
 24 tion of its own stock) is amended by adding at the
 25 end the following:

1 “(D) WAIVER WHERE BUSINESS PUR-
 2 POSE.—A purchase of stock by the issuing cor-
 3 poration shall be disregarded for purposes of
 4 subparagraph (B) if the issuing corporation es-
 5 tablishes that there was a business purpose for
 6 such purchase and one of the principal purposes
 7 of the purchase was not to avoid the limitations
 8 of this section.”

9 (e) EXCLUDED QUALIFIED TRADE OR BUSINESS.—
 10 Section 1202(e)(3) of the Internal Revenue Code of 1986
 11 (relating to qualified trade or business) is amended—

12 (1) by inserting “, and is anticipated to con-
 13 tinue to be,” before “the reputation” in subpara-
 14 graph (A), and

15 (2) by inserting “but not including the business
 16 of raising fish or any business involving bio-
 17 technology applications” after “trees” in subpara-
 18 graph (C).

19 (f) INCREASE IN CAP ON ELIGIBLE GAIN FOR JOINT
 20 RETURNS.—

21 (1) IN GENERAL.—Section 1202(b)(1)(A) of the
 22 Internal Revenue Code of 1986 (relating to per-
 23 issuer limitations on taxpayer’s eligible gain) is
 24 amended by inserting “(\$20,000,000 in the case of
 25 a joint return)” after “\$10,000,000”.

1 (2) CONFORMING AMENDMENT.—Section
2 1202(b)(3) of such Code is amended by striking sub-
3 paragraph (A) and redesignating subparagraphs (B)
4 and (C) as subparagraphs (A) and (B), respectively.
5 (g) EFFECTIVE DATES.—

6 (1) IN GENERAL.—Except as provided in para-
7 graph (2), the amendments made by this section
8 shall apply to stock issued after the date of the en-
9 actment of this Act.

10 (2) SPECIAL RULE.—The amendments made by
11 subsections (a) and (d)(1) apply to stock issued
12 after August 10, 1993.

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